

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSC-05 NSCE-00 SS-15

CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00

FAA-00 L-02 INRE-00 /051 W
----- 060755

O R 261552Z FEB 75

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC IMMEDIATE 4024

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS UNN

USMISSION NATO BRUSSELS UNN

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E.O. 11652: N/A

TAGS: EAIR, SW

SUBJECT: SAS PRESIDENT HAGRUP ON SAS/PAN AM CAPACITY NEGOTIATIONS

REF: STOCKHOLM 904 (NOTAL)

1. SUMMARY: SAS PRESIDENT KNUT HAGRUP DINED WITH ME
FEBRUARY 23, LOOKING, HE SAID, FOR A SYMPATHETIC AUDIENCE.
HE CLAIMED HE HAD NOTHING TO COMMUNICATE THAT WAS NOT ALREADY
KNOWN TO THE RESPONSIBLE NEGOTIATORS. YET THE FOLLOWING
RECORD OF HIS COMMENTS MAY BE OF INTEREST.
HAGRUP STRESSED ARGUMENT THAT SAS HAS GONE AS FAR AS IT CAN
GO BY AGREEING TO REDUCE ITS SUMMER SCHEDULE CAPACITY FROM
TWENTY-ONE SCANDINAVIAN FLIGHTS TO FOURTEEN COPENHAGEN
FLIGHTS PER WEEK. END SUMMARY

2. HAGRUP SAID NORTH ATLANTIC ROUTE IS WORTH 130 MILLION
KRONERS (ABOUT \$32 MILLION) PER YEAR TO SAS. HOW PROFITABLE
THIS IS DEPENDS ON THE ANALYTICAL APPROACH USED. BY ONE
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APPROACH THIS REPRESENTS A SLIGHT LOSS BUT IT ALSO REPRESENTS

A CONTRIBUTION VITAL TO MEETING OVERHEAD AND TO THE SURVIVAL OF SAS. IF SAS BECOMES UNPROFITABLE, THE EVER STRONGER SEPARATE NATIONALISMS IN THE SCANDINAVIAN COUNTRIES WILL INSURE THAT THE SCANDINAVIAN GOVERNMENTS WILL NOT COOPERATE TO SAVE IT.

3. SAS CAPACITY UTILIZATION AND PRIMARY TRAFFIC FIGURES ARE SO HIGH THAT EXCESS CAPACITY AND SIXTH FREEDOM ARGUMENTS, POSSIBLY APPLICABLE WITH RESPECT TO SOME OTHER AIRLINES, HAVE NO VALIDITY WITH RESPECT TO SAS (STATE 22508).

4. AS HE STATED ON US TV'S "SIXTY MINUTES" INTERVIEW, PANAM CAN PROSPER ONLY IF IT CAN OPERATE ITS OWN US FEEDER LINE.

5. THE PANAM (AND US GOVERNMENT) APPROACH TO SAS HAS BEEN SO UNREASONABLE AS TO DEFY RATIONAL UNDERSTANDING EXCEPT POSSIBLY AS MACHIAVELLIAN TACTIC TO SOFTEN UP KLM, SABENA AND SWISS AIR WHO REALLY MATTER BECAUSE THEY SERVE EUROPEAN CONTINENT.

6. US PRESSURES INEVITABLY HELP PROMOTE GRADUAL EMERGENCE OF EUROPEAN COOPERATION IN CIVIL AND MILITARY AIRCRAFT CONSTRUCTION. SAS-KLM-SWISS AIR-UTA COOPERATION ARRANGEMENTS, AND SIMILAR ARRANGEMENTS IN WHICH AIR FRANCE AND ALITALIA ARE INVOLVED, HAVE CONFIRMED ADVANTAGES OF INCREASED COOPERATION AMONG EUROPEANS. HAGRUP WAS MYSTIFIED BY FAILURE OF PANAM NEGOTIATORS TO FOCUS ON NUMBER OF FLIGHTS ORIGINATING FROM COPENHAGEN VERSUS BERGEN IN RECENT CAPACITY NEGOTIATIONS WITH SAS. HE ASSUMES SOMEONE NOTICED OVERSIGHT POST FACTO, BUT IN ANY CASE, SAS COULD NOT HAVE ACCEPTED REDUCTION TO FOURTEEN FLIGHTS IF MINIMUM NUMBER TO ORIGINATE FROM BERGEN HAD BEEN STIPULATED.

7. I TOLD HAGRUP THAT EMBASSY HAS HAD NO ROLE IN NEGOTIATIONS AND THAT ALL I COULD DO WAS TO TAKE NOTE OF HIS VIEWS AND TRANSMIT THEM TO MY GOVERNMENT. I ADDED THAT THE USG HAS BEEN LIBERAL IN GRANTING LANDING RIGHTS. THEREFORE, I FELT THAT, US CARRIERS NOW BEING IN ECONOMIC DIFFICULTIES, THEIR REQUEST FOR EQUITABLE SHARING OF INTERNATIONAL TRAFFIC IS REASONABLE AND SHOULD BE MET.

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8. RECALLING HISTORY OF EARLY SWEDISH INTEREST IN FRENCH CARAVELLE, HAGRUP SAID THAT ORIGINAL IMPETUS TO SWITCH FROM AMERICAN TO EUROPEAN MANUFACTURER HAD COME FROM MARCUS WALLENBERG, AND THAT SAS NOW REGRETS THERE WAS NO FOLLOW-ON TO THE CARAVELLE.

9. HAGRUP REPEATED WELL-KNOWN, LESS THAN CONVINCING ARGUMENTS AGAINST "FLY US FLAG PROGRAM" (STATE A-418).

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Margaret P. Grafeld
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